

Financial Statements of

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Year ended March 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the Justice Institute of British Columbia, and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of Justice Institute of British Columbia, which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Justice Institute of British Columbia as at March 31, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

May 24, 2012

Vancouver, Canada

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,132,082	\$ 5,074,648
Accounts receivable	4,100,476	3,241,817
Prepaid expenses and inventories	748,102	652,597
	<u>10,980,660</u>	<u>8,969,062</u>
Capital assets (note 3)	41,834,805	42,025,919
	<u>\$ 52,815,465</u>	<u>\$ 50,994,981</u>


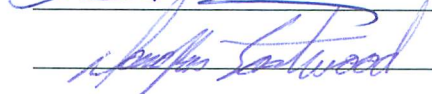
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,760,127	\$ 3,395,504
Employee benefits payable (note 4)	1,063,357	994,883
Deferred revenue	5,547,918	4,647,314
	<u>10,371,402</u>	<u>9,037,701</u>
Deferred lease costs (note 5)	396,751	465,751
Deferred contributions (note 6)	25,416,725	26,028,723
	<u>36,184,878</u>	<u>35,532,175</u>
Net assets	16,630,587	15,462,806
	<u>\$ 52,815,465</u>	<u>\$ 50,994,981</u>

Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Governor

Governor

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Operations and Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Province of British Columbia:		
Grants	\$ 11,566,760	\$ 11,243,755
One-time funding	-	350,000
Contracts	7,082,978	6,469,125
Tuition	11,506,682	9,697,699
Contract services	12,018,841	11,734,609
Interest	64,451	35,569
Other	1,761,064	1,813,169
Amortization of deferred capital contributions (note 6)	1,470,685	1,620,048
	<u>45,471,461</u>	<u>42,963,974</u>
Expenses:		
Advertising and promotion	473,916	459,311
Contract instruction and program development	4,524,071	4,532,453
Facilities and equipment	4,371,374	4,312,969
Professional services	1,691,639	1,378,766
Salaries and employee benefits	26,796,698	26,019,693
Staff travel	1,079,671	851,625
Student travel and activities	510,278	721,783
Supplies - instructional	1,139,910	949,341
Supplies - office	370,761	335,812
Other	919,244	611,332
Amortization of capital assets	2,426,118	2,443,118
	<u>44,303,680</u>	<u>42,616,203</u>
Excess of revenue over expenses	1,167,781	347,771
Net assets, beginning of year	<u>15,462,806</u>	<u>15,115,035</u>
Net assets, end of year	<u>\$ 16,630,587</u>	<u>\$ 15,462,806</u>

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,167,781	\$ 347,771
Items not involving cash:		
Amortization of capital assets	2,426,118	2,443,118
Amortization of deferred lease costs	(69,000)	(24,260)
Amortization of deferred capital contributions	(1,470,685)	(1,620,048)
Contributions spent and recognized as revenue	(519,631)	(987,568)
	<u>1,534,583</u>	<u>159,013</u>
Change in non-cash operating accounts:		
Accounts receivable	(858,659)	(1,103,832)
Prepaid expenses and inventories	(95,505)	244,590
Accounts payable and accrued liabilities	364,623	464,815
Employee benefits payable	68,474	85,182
Deferred revenue	900,604	448,345
	<u>379,537</u>	<u>139,100</u>
Investments:		
Purchase of capital assets	(2,235,004)	(1,916,214)
Short-term investments	-	3,795,604
	<u>(2,235,004)</u>	<u>1,879,390</u>
Financing:		
Deferred lease inducement received	-	483,001
Deferred contributions received	1,378,318	855,113
	<u>1,378,318</u>	<u>1,338,114</u>
Increase in cash and cash equivalents	1,057,434	3,515,617
Cash and cash equivalents, beginning of year	5,074,648	1,559,031
Cash and cash equivalents, end of year	<u>\$ 6,132,082</u>	<u>\$ 5,074,648</u>

See accompanying notes to financial statements.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2012

1. Purpose of the Institute:

The Justice Institute of British Columbia (the "Institute") is a post-secondary educational institution established in 1978 by the Province of British Columbia (the "Province") under the provisions of the College and Institute Act. The Institute is exempt from income tax under the Income Tax Act. The mission of the Institute is to provide innovative education for practitioners and the public in the fields of justice and public safety.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Any unamortized balance is written off when the asset is disposed of or no longer used by the Institute. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

<u>Asset</u>	<u>Period</u>
Site improvements	10 years
Buildings	40 years
Furniture, equipment and vehicles (including computer equipment)	3 to 5 years
Personal computer equipment and peripherals	3 years
Leasehold improvements	lease term

(c) Revenue recognition:

The Institute follows the deferral method of accounting for contributions.

Contributions from the Province are recognized as follows:

- "Base" funding contributions are recognized as revenue in the year in which the contributions are received or receivable.
- "Other" funding contributions are recognized as revenue in the year in which the related expenses are incurred.

Tuition fees are recognized as revenue in the period the course is conducted. Fees received prior to the year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Contract revenues are recognized in the period in which the related activities are performed. The zero profit margin method is used when a contract's financial outcome is not reasonably determinable. This method of accounting requires that equal amounts of revenue and expense be recognized until the financial outcome of a contract can be reasonably estimated. Provision for anticipated losses is made in the period in which they become evident.

Contributions received for capital asset acquisitions are recorded as deferred capital contributions and recognized as revenue on the same basis as the related capital assets are depreciated. Contributions of or relating to the acquisition of non-depreciable assets are recognized as direct increases in net assets when received.

Contributions, tuition fees and contract services are recognized as revenue in accordance with the applicable recognition criteria above when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Areas of significant estimates include useful lives of capital assets for amortization, accrued losses on contracts and employee benefits payable. Actual results could differ from these estimates.

(e) Financial instruments:

The Institute accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, and as permitted for not-for-profit organizations, CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*.

All financial instruments are measured at the balance sheet date at fair value except for loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost.

The Institute classifies its cash and cash equivalents as held for trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Significant accounting policies (continued):

(f) Inventories:

Inventories, consisting of books and materials held in the bookstore for sale, are recorded at the lower of cost and net realizable value. Cost is determined based on weighted average costing. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. When conditions indicate that losses previously recognized have been recovered, the loss is reversed to the extent of the amount recovered.

(g) Related party transactions:

The Institute is related through common control to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, universities, colleges and institutes that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are in the normal course of operations and are recorded at the exchange amount, which is amount of consideration established and agreed to by the related parties.

(h) Future accounting policies:

Changes in accounting framework:

Effective April 1, 2012, the Institute will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Institute is reviewing the impact of these changes on the financial statements.

3. Capital assets:

	2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 10,416,476	\$ -	\$ 10,416,476	\$ 10,416,476
Buildings	39,518,563	12,870,080	26,648,483	27,671,066
Buildings – construction in progress	101,417	-	101,417	3,322
Furniture, equipment and vehicles	4,248,688	2,259,297	1,989,391	1,924,406
Personal computer equipment and peripherals	736,445	404,366	332,079	257,450
Leasehold Improvements	1,960,347	654,400	1,305,947	596,719
Site improvements	2,922,953	1,881,941	1,041,012	1,156,480
	<u>\$ 59,904,889</u>	<u>\$ 18,070,084</u>	<u>\$ 41,834,805</u>	<u>\$ 42,025,919</u>

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Employee future benefits:

(a) Pensions:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 173,000 active members, with approximately 5,600 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a \$28 million deficit for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a \$1,024 million deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013.

The actuary does not attribute portions of the unfunded liability to individual employers. The Institute records pension expenses as cash contributions to the Plans are made.

During the year, the Institute contributed \$1,599,354 (2011 - \$1,511,614) to the above Plans.

(b) Other employee benefits:

The Institute accrues vacation and retirement entitlements for employees as earned. However, revenue related to funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The liability and expense for these post-employment benefits is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

In 2009, the Institute engaged the services of an actuarial firm to evaluate its employee future benefits plans. As a result of this estimate, an increase of employee future benefit liability

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Employee future benefits (continued):

(b) Other employee benefits (continued):

relating to retirement allowances of \$19,000 (2011 - \$23,000 increase) has been recorded in the year.

The Institute has accrued future obligations for all post-employment benefits using the projected benefits method prorated on service. The retirement allowance benefits are unfunded.

The Institute records actuarial gains and losses in the period they arise.

The liabilities reported in 2012 are based on an actuarial valuation as at March 31, 2009 using the following valuation assumptions:

	2012	2011
Discount rate	5.8%	5.8%
Inflation rate	2.0	2.0
Rate of compensation increase	2.75	2.75

Employee benefits payable as at March 31, 2012 are as follows:

	2012	2011
Retirement allowances	\$ 216,000	\$ 197,000
Vacation, including benefits	847,357	797,883
	<u>\$ 1,063,357</u>	<u>\$ 994,883</u>

5. Deferred lease costs:

Total payments under an operating lease for the premises at 810 Fort Street, Victoria are recorded as an expense on a straight-line basis over the term of the lease. As part of this lease, an inducement of \$483,001 was received during fiscal 2011. The amount of the inducement has been recorded as deferred lease costs and is being credited to the statement of operations on a straight-line basis over the term of the lease, being seven years.

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Deferred contributions:

	2012	2011
Balance, beginning of year	\$ 26,028,723	\$ 27,781,226
Contributions received during the year	1,378,318	855,113
	27,407,041	28,636,339
Less:		
Amortization of deferred capital contributions	1,470,685	1,620,048
Contributions spent and recognized as revenue	519,631	987,568
Balance, end of year	\$ 25,416,725	\$ 26,028,723

Included in deferred contributions at March 31, 2012 is unamortized deferred capital contributions of \$24,778,549 (2011 - \$25,121,970). The balance consists of an aggregate unspent amount of \$849,076 (2011 - \$1,206,753) contributed for the purposes of capital purchases.

7. Commitments:

The Institute has lease commitments for facilities, computer and office equipment and vehicles as follows:

2013	\$ 950,296
2014	797,125
2015	783,875
2016	760,478
2017	719,509
Thereafter	1,369,404
	\$ 5,380,687

JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2012

8. Related organization:

The Institute has an economic interest in the Justice Institute of British Columbia Foundation (the "Foundation"). The Foundation was formed to raise funds for furthering the interests of the Institute. The net assets and results of operations of the Foundation have not been included in these financial statements.

The balance due from the Foundation, included in accounts receivable, at March 31, 2012 is \$23,144 (2011 - \$25,888). The balance arose from expenditures the Institute paid on behalf of the Foundation.

During 2012, the Foundation contributed \$ 585,826 (2011 - \$1,229,810) of support for student awards, training equipment, and applied research to the Institute. Administrative services, including salary costs, amounting to approximately \$397,548 (2011 - \$293,748) were provided to the Foundation by the Institute on a no charge basis.

The following is a summary of financial statements of the Foundation for the year ended December 31, 2011 and 2010:

	2011	2010
Total assets	\$ 1,674,737	\$ 1,832,136
Total liabilities	3,690	35,515
Net assets	\$ 1,671,047	\$ 1,796,621
Total revenues	\$ 1,203,062	\$ 965,832
Total expenses	1,328,636	1,348,397

9. Capital disclosures:

The Institute receives its principal source of capital through government grants, contributions from the Justice Institute Foundation and general donations. The Institute defines capital to be net assets, which includes amounts held in the operating and capital funds. In carrying out its purpose, the Institute strives to maintain a sufficient capital base to support the programs, operations and activities of the Institute.

The Institute is not subject to any other external capital requirements or restrictions.